



1. What is the rate history for the I/3 System?

	General Fund Distributed	ERP 3 Approp.	Pooled Tech Fund	ITE Buy Down	RIIF	Proposed GF Distribution	Proposed Tech Reinvestment Fund	Customer Billings
FY05	2,251,756	2,100,000						
FY06			2,700,000					2,251,756
FY07				1,511,201				2,310,901
FY08					2,000,000			2,310,901
FY09						1,000,000	1,000,000	2,310,901

FY05 – Rate based on FTE

FY06 – Rate based on FTE

FY07 – Rate based on 50% FTE, 25% Revenue, 25% Expenditures

FY08 – Rate based on 50% FTE, 25% Revenue, 25% Expenditures

2. What is the role of the Customer Council in establishing the I/3 rate?

A subcommittee of the I/3 Customer Council developed the allocation method used each year to establish the I/3 rate. The Customer Council reviews and approves this methodology on an annual basis.

3. What is the role of the federal government with regard to the rate setting formula?

When the federal Department of Health and Human Services (DHHS) performed their annual review of the State Wide Indirect Cost Allocation Plan (SWICAP) for FY06, they disagreed with the distribution of I/3 costs using total FTE count as the allocation method. They asked the State to develop a new methodology, preferring to see it based on CPU usage. However, with I/3 and the servers involved, the system cannot gather that type of information. As a result, the I/3 Customer Council developed a formula consisting of fifty percent total FTE count, twenty-five percent Revenue, and twenty-five percent Expenditures to allocate I/3 costs to departments. This formula was reviewed and approved by DHHS. DHHS recently informed SAE that the current allocation method may again be reviewed, as concerns still exist as to whether this is the best allocation method for this service. If raised, this will likely be negotiated between DHHS and the State during FY09 or FY10.

4. How does the Customer Council receive input on the I/3 rate to be charged?

There is a thirty day comment period each year during which customers can comment on the Council's decision. The Customer Council then reviews each comment and determines if the comment is valid and, if so, what action should be taken. Comments were received from IWD and IPERS regarding the FY09 rate. IWD's concern is that the rate is set based on current information at the time, but when the actual billing occurs the information on which the rate is based is two years old. They believe that their total FTE count will be lower in the current fiscal year and as a result of the formula, they will not see a change in their current charges.

IPERS concern is the actual dollar allotment. The Customer Council reviewed the last two years, and based on allocation methodologies which were agreed upon with the federal government, the Council chose not to change the rate. All of this could change if the federal government demands that we identify and establish a different rate allocation method.

5. What has changed?

Allocation of I/3 costs to departments has been a very controversial issue. Departments are not happy that they have to maintain a procurement, budget and accounting system with payments from their budgets. Prior to FY05 these systems were General Fund appropriated and departments were not concerned with paying these costs from their budgets. This resulted in a federal over recovery issue in the information technology department which then required the state to reimburse the federal government on a yearly basis. The decision was made to distribute funds to departments and for DAS then to charge the departments for I/3. The departments then build this cost into their budget requests and this becomes part of their base budget.